

PLAN:MK EXAMINATION

Matter 3

Issue 1: Context and potential transformational growth

The Cambridge Milton Keynes Oxford Growth Corridor (CaMKOx) is an ambitious and important growth and infrastructure project that will deliver significant benefits to residents and business living and operating across this growth area. As such the contribution that Milton Keynes has made to bringing these projects forward must be welcomed. However we are concerned that the current local plans being brought forward across the CaMKOx area are not supporting the necessary levels of growth that are needed to deliver the infrastructure and growth aspirations being proposed. This is clearly a concern within the National Infrastructure Commission (NIC) which identified in its final report published in November 2017 that rates of housebuilding will need to double if the arc is to achieve its economic potential¹.

This is an issue the HBF has raised within its representations to the NIC as we have been considered for some time that estimates of housing needs across the arc have looked to use projections that largely reduce household growth and make very limited uplifts to take account of market signals. If housing requirements are not set high enough in the plans currently being prepared by local planning authorities across the corridor then it will be even more difficult to achieve the longer term growth aims set out by the NIC. This approach to considering housing need has been highlighted by the NIC which stated in its interim report:

“...the assessment methodologies adopted by local authorities can be conservative and can mask high levels of unmet need. Local authorities are often not consistent in their approach to calculating need and many run modest economic and household projection scenarios that result in lower assessments.”

So whilst there is still uncertainty as to the eventual outcomes of this project, and the level of housing delivery that will be required in Milton Keynes to support this initiative, it is important that current local plans are positive in their aspirations and do not underestimate the level of housing needs in the local plans that are being prepared now. Milton Keynes as a centre of sub national importance will have a key role to play in delivering growth not only in housing but also in the development needed to support the expected growth in jobs across the CaMKOx growth corridor. This is likely to require co-

¹ Page 8 of Partnering for Prosperity: A new deal for the Cambridge-Milton Keynes-Oxford Arc (NIC)

operation with neighbouring authorities such as Aylesbury Vale and Central Bedfordshire to identify opportunities for major development. At present the Council's growth considerations have focussed on opportunities within its own boundaries but given the potential growth required to support, and arising from, the infrastructure being proposed for CaMKOx it is likely that the Council will therefore need to be positive about opportunities adjacent to its borders to support the growth of Milton Keynes. Such future considerations will require the Council to reconsider policies such as CT7 Grid Road Network which could limit the ability of future allocations beyond Milton Keynes' borders.

Issue 2: Determining full OAN

We do not consider the housing requirement to be based on a robust assessment of housing needs. Our concerns relate to two specific areas:

- The conflation of market signals with amendments to the demographic starting point in relation to suppressed households
- The level of uplift being proposed in relation to market signals.

Suppressed households

There is clear evidence presented by the Council in relation to concealed households and homelessness that there has been suppression within the housing market that requires an adjustment to be made. The approach taken varies across areas with some council's seeking to return household representative rates to previous levels when affordability concerns were less pronounced, whilst others, as is the case in the Council's SHMA, look to adjust the demographic starting point based on the number of concealed and homeless households. There is no prescribed approach in policy or guidance as to how suppression should be considered and as such we would not consider the method used to be unsound. What we do consider to be inappropriate is that this is an adjustment made to the demographics recognising that previous delivery has suppressed household formation and to subtract any adjustment from market signals. This is not consistent with PPG which makes the distinction between demographic adjustments to take account of past suppression (paragraph 2a-015-20140306) and market signals adjustments which are made to improve affordability (paragraph 2a-020-20140306).

Market signals

An uplift of 10% for market signals is insufficient and should be increased. Due to limited guidance from Government as to what an appropriate uplift should be there have been discussions at many local plan examinations on this issue. Uplifts have generally ranged from 5% to 20% depending on market signals, but more recently inspectors, and LPAs, have been choosing higher uplifts where market signals are worst. But the Government have now given some indication as to what it considers to be a reasonable uplift as part of its consultation paper Planning for the Right Homes in the Right Places and most recently in the proposed amendments to the NPPF and Planning Practice Guidance. The standard methodology proposes a formula that requires an uplift of 2.5% above the demographic base for every 1 point above the baseline affordability ratio of 4. For Milton Keynes this would require an uplift for market signals of 29% on the basis of the latest affordability ratios. However, the Government have been clear that the standard

methodology should not be considered for plans that are currently being examined, or ones that have been submitted for examination. But the Government's commitments to substantially increasing the number of homes per year should be taken into account when considering the level of uplift to be applied in response to market signals.

The Government have stated that their goal is to deliver at least 300,000 new homes each year from 2020. Most recently this target was reiterated in the 2017 Autumn Budget. In his budget statement the Chancellor announced the Government's target for house building across the country stating:

I'm clear that we need to get to 300,000 units a year if we are going to start to tackle the affordability problem, with the additions coming in areas of high demand.

We can therefore conclude that the Government considers its target of delivering 300,000 homes per annum is the minimum requirement if the nation is to start addressing the issue of affordability and that these additions must be made in the areas of high demand, and subsequently, worst affordability. To achieve the Government's aim will therefore require Council's to provide significantly higher uplifts than we have seen being applied by Council's in the past. In deed had these been uplifts been sufficient in the past there would in all likelihood have been no need for the proposed amendments. Therefore, whilst the changes to assessing housing needs in the draft NPPF and PPG should not be considered it is important to consider the reasons for the policy change with regard to the effectiveness of the uplifts being proposed.

What is evident from the latest information is that affordability is worsening within Milton Keynes and at a faster rate than we have seen in the past. Between 2013 and 2017 lower quartile house price to income affordability from 6.85 to 9.38. This represents a 2.5-point increase in just five years. Considering the relatively stability of affordability ratios seen following the considerable worsening in affordability between 1999 and 2003 this steep increase indicate that this is an area of high demand and worsening affordability that will require higher uplifts than those being proposed by the Council.

Year	Lower quartile income to house price ratio	Median house price to income ratio	Dwellings completed (Table 253 housing completions by district, MHCLG)
1998/99	3.77	3.57	1,330
1999/00	3.90	3.93	1,430
2000/01	4.71	4.48	1,480
2001/02	5.47	5.18	1,250
2002/03	6.42	5.81	1,240
2003/04	7.30	6.38	n/a
2004/05	7.35	6.73	1,060
2005/06	7.33	6.84	1,860
2006/07	7.50	6.73	1,630

2007/08	7.31	6.75	2,500
2008/09	6.28	5.84	1,830
2009/10	7.03	6.60	1,610
2010/11	6.88	6.60	1,240
2011/12	6.86	6.55	1,380
2012/13	6.85	6.61	1,310
2013/14	7.49	6.84	1,080
2014/15	8.00	7.74	1,070
2015/16	8.40	7.63	1,140
2016/17	9.38	8.65	1,230

It is also evident that affordability stabilised prior to the recession between 2005/6 and 2008/09 when average delivery was 1,967 dwellings per annum. This suggests that an OAN that is closer to 2,000 dpa could be reasonable expected to at least stabilise affordability within Milton Keynes. However, if the Council were to improve affordability as is required by paragraph 2a-020 of PPG then the required level of delivery is likely to be higher still.

Issue 3 Translating OAN into housing requirement/ target

The NPPF in paragraph 47 sets out that the Council should meet needs as far as is consistent with the policies set out in the Framework. As set out above and in our representation we consider the Council to have currently underestimated their OAN and that this should be increased. Given that the Council has identified sites that will deliver 26,503 homes during the plan period and if the Council's windfall assessments are also accurate they expect this plan from adoption to deliver 27,843 new homes we would consider it appropriate for the Council to set their housing requirement at a higher level which could be reasonable be considered to impact on housing affordability as required by paragraph 2a-020 of PPG.

Recommendation on OAN / Housing Requirement

At present we do not consider the Council's OAN to be sound. The approach taken is not consistent with national policy and does not give sufficient consideration to market signals and the requirement of PPG to uplift OAN to a level that could be expected to improve affordability. As set out in our representations we would recommend that the housing requirement be increased from 26,500 to 28,455.

Issue 5: Housing Land Supply

We welcome the additional papers submitted by the Council as part of the EIP in relation to the housing trajectory. This information provides a far clear picture of the Council's expectations with regard to delivery. Our assessment of this evidence indicates that the Council will have a five year housing land supply against its published housing requirement on adoption of the local plan, if the delivery expectations are considered to be appropriate. However, the HBF does not comment on the merits or otherwise of individual sites our statement is submitted without prejudice to any comments made by

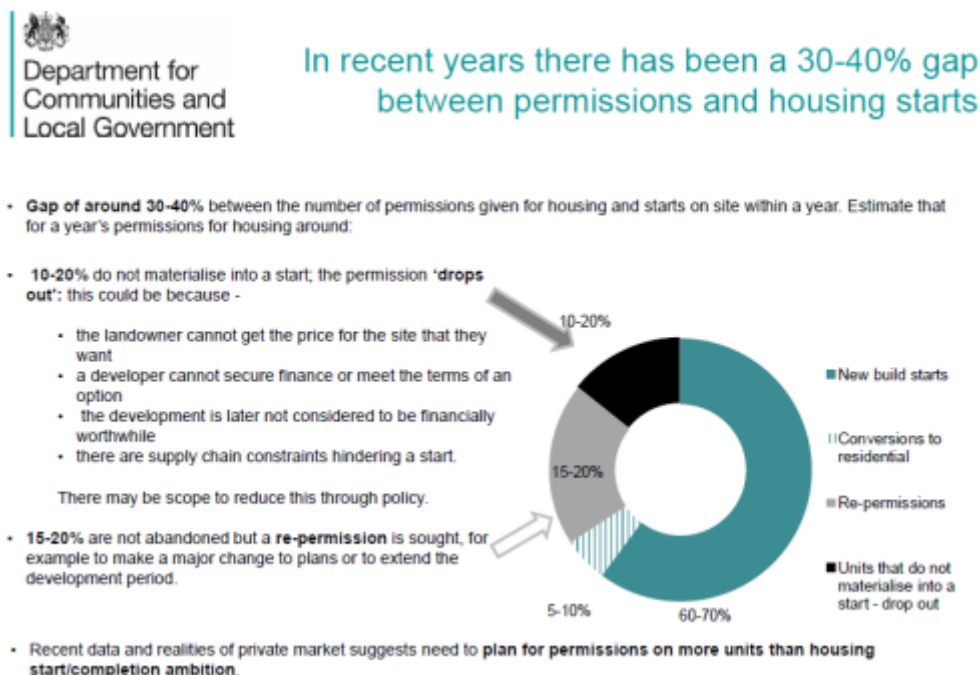
other parties on the deliverability of specific sites included in the overall housing land supply, the five year housing land supply and housing trajectories. But we do consider it essential that the delivery expectations for strategic sites and the levels of windfall being proposed are reasonable.

With regard to windfall we note that the Council has provided a more detailed justification of its windfall allowance in the Housing Topic Paper (MK/TOP/002). This would appear to be a reasonable assessment of past delivery but whilst the Council has recognised that it cannot include garden land within this assessment it has not identified how many homes came forward on such sites. In addition the Council have included windfall in the first three years of the plan trajectory which has the potential for double counting against smaller sites included within the 20,603 existing commitments.

In our representations we noted that the Council's approach to assessing the five year housing land supply as part of their housing monitoring was on the basis of the Liverpool approach, which delivers backlog across the entire plan period. This approach is not consistent with PPG which sets out that where possible backlog should be addressed within the first five years. As such Government policy would require the Council to address its backlog within the first five years of the plan. We note that the latest trajectory assessed five year supply using the Sedgefield approach and we would suggest that this position is stated within the plan to provide the necessary clarity to decision makers that is required by paragraphs 17 and 154 of the NPPF.

Buffer

The inclusion of a 10% buffer is welcomed and recognises that there are often delays to the delivery of sites and that some sites will either not come forward or come forward at a reduced level of development. These concerns have been highlighted by DCLG in a presentation to the HBF Planning Conference in September 2015.



This slide illustrates that work by the Government suggests 10-20% of residential development with permission will not be implemented and that there is a 15-20% lapse rate on permissions. This does not mean to such sites will not come forward but that delays in delivery, changing ownership or financial considerations can lead to sites not coming forward as expected. For this reason DCLG emphasised in this slide "*the need to plan for permissions on more units than the housing start/completions ambition*". Therefore, should the housing requirement need to be higher than is proposed in the Plan it will be important that such a buffer is maintained and that sufficient sites are allocated to support at least 10% more units than are required.

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